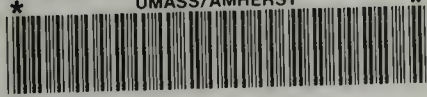


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"MASS. MoCA Feasibility Study Review"



The Commonwealth of Massachusetts

Executive Office of Administration and Finance

Division of Capital Planning and Operations

One Liberty Place

Boston, Massachusetts, 02111

6177274050

JOHN I. CARLSON, JR.
DEPUTY COMMISSIONER

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ASSOCIATE DEPUTY COMMISSIONER

December 14, 1990

L. Edward Lashman, Jr.
Secretary of Administration and Finance
State House
Boston, MA 02133

GOVERNMENT DOCUMENT
COLLECTION

SEP 13 1991

University of Massachusetts
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Dear Secretary Lashman:

Chapter 8 of 1988 authorizes \$35 million dollars of Commonwealth funding toward the establishment of a Museum of Contemporary Art in North Adams, Massachusetts (the "MASS MoCA" project). The legislation requires the DCPO to certify the MASS MoCA feasibility study and program "provide an accurate estimate of the project requirements, costs, and schedule, and that the project can be accomplished within the proposed cost without substantial deviation from the study and program." (See full text of legislation, attached.)

DCPO has examined the MASS MoCA study and program materials in depth, with respect to five critical areas of feasibility:

- (1) the physical program and schematic plans for the museum facility;
- (2) the capital costs and schedule of realizing the proposed physical program;
- (3) the amounts, sources, and timing of the private capital funding required to finance the non-public share of the museum development project at 30% of its total cost, as required by the statute;
- (4) the post-opening management and operations plans for the facility, including the proposed operating revenue and expense budget;
- (5) the availability of art works for exhibition at MoCA, and of funding for art fabrication and installation.

In order to comply with the certification requirements of Chapter 8, DCPO must certify the feasibility of realizing the objectives outlined in the MoCA study with respect to all of the five forgoing aspects of project implementation. To date, the study materials presented relative to items one and two meet DCPO standards, and can be certified. However, the study materials presented relative to items three, four, and five outline future actions, agreements, or achievements whose likelihood of occurring must be more firmly established before DCPO can certify their validity. Therefore, a full certification of the MoCA feasibility study cannot be granted at this time. Pursuant to Chapter 8, the

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Commonwealth can commit additional funds only when full certification has been achieved.

As discussed in detail in the attached document, DCPO finds that:

- (1) the physical program and schematic plans for the "Phase I/Base Scheme" museum facility may be certified as meeting -- in scale, organization, and technical specifications -- the minimum requirements of MASS MoCA's art exhibition and public education objectives;
- (2) the capital costs of the museum development project may be certified as having been estimated satisfactorily, and the projections presented provide reasonable approximations of the hard and soft costs of the "Phase I/Base Scheme" program.

As also discussed in detail in the attached document DCPO finds that:

- (3) a successful private fund-raising program of approximately \$12 million dollars in cash and appraised real estate value would meet the legislative requirement that 50% of the "Phase I/Base Scheme" be non-state financed; however, DCPO certification of the private funding program cannot be granted before the agency has evaluated the results of: (a) a review appraisal of the property to be acquired for MoCA, which has been valued at approximately \$1 million by an appraiser retained by DCPO, and at \$2.7 million by an appraiser retained by MoCA; (b) a professional assessment of MoCA's revised fund raising projections and plans, now being prepared by a qualified consultant to DCPO; and (c) contract negotiations with a designated museum operator, with respect to the provision of funds for art fabrication and installation;
- (4) the operating pro formas for the museum facility, its programs of art exhibition and public education portray a sustainable MoCA operating scenario, should the fundamental projections of visitor volume, "bridge" funds at \$2.25 million dollars, income from a \$2.25 million dollar endowment fund, and annual gifts and grants be achieved; however, DCPO certification of MoCA's projected fiscal operations cannot be granted until the agency has evaluated the results of: (a) a professional assessment of MoCA's revised operations plan and budget, now being prepared by a qualified consultant to DCPO; and (b) contract negotiations with a designated museum operator, with respect to facility and program operating responsibilities: budgetary authority and accountability; and an agreed-upon post-opening operating budget.

A pivotal issue here is that if sufficient operating funds are not available, it is likely that the projected size of the opening facility may have to be reduced, thus changing all the basic assumptions. Therefore, verification of this financial component is critical to MoCA's vision of the start-up facility.

- (5) The feasibility study discusses the types of art works to be exhibited at MoCA, their spatial requirements, and their probable sources, including individual private owners as well as other museums (in particular, the MoCA operator, whose selection will be based in part on an ability and intent to provide the new institution with a core collection of art); however, DCPO certification of the art plan cannot be granted until written commitments have been obtained for art works appropriate in quality and sufficient in number to fully utilize the proposed 200,000 square feet of MoCA exhibition space. In addition a commitment is required from the designated



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museum operator to finance approximately \$4.5 million dollars of art fabrication and installation costs.

Recommendation

In DCPO's view, the study phase of planning for MoCA has successfully outlined the physical and capital investment parameters of the project; whereas the private funding, operating, and art-utilization arrangements critical to a successful implementation of the museum program can be established with reasonable certainty only through active fund-raising and organizational development efforts by the Commission. To be credibly conducted, these efforts must occur within a context in which the Commonwealth has committed to financing certain costs of the project, if and when the MoCA planners succeed in reaching agreed-upon institutional-development goals.

Therefore, DCPO recommends that a new grant agreement be drafted by the Commonwealth, which sets forth very specific conditions that MoCA must meet in order to obtain further Commonwealth funding for facilities design, construction, and attendant project management. Such conditions would include:

- (1) reaching benchmark levels of private and/or public non-state funding (in cash or firm pledges) toward the bricks-and-mortar, endowment, and "bridge" fund requirements of the project;
- (2) securing a museum operator, and preparing an operating contract ready-for-signature, which establishes the financial obligations of the Commission and the operator;
- (3) presenting a business plan and a five-year operating budget projection developed and jointly approved by the Commission and the operator.

The grant agreement also should set forth a schedule of construction project phases and further private funding-raising milestones to govern future investment of public funds in the MoCA endeavor.

Sincerely,


John I. Carlson, Jr.

cc: Gordon King
Jim Zien

Enclosure

MASS. MOCA FEASIBILITY STUDY REVIEW
DIVISION OF CAPITAL PLANNING AND OPERATIONSPage 1
12/12/90

My staff and I have carefully reviewed the Mass. MOCA Feasibility Study and Development Plan, Revised September 1990, with its associated documents ("The Study"). The documents are listed in Attachment A to this letter. These documents have been submitted to DCPO by the Mass. MOCA Executive Planning Group for review prior to their formal acceptance by the MOCA Commission and their certification by the City of North Adams.

The study and program generally meet those requirements, established for it in the MOCA authorizing legislation with respect to feasibility items (1) and (2) in my cover letter to Lashman. With respect to feasibility items (3), (4), and (5) in my cover letter, all of which comprise project needs and requirements, four significant issues remain for resolution, prior to full certification.

This review follows the format established for DCPO review of the MOCA Feasibility Study established in Section 2 of Chapter 8 of 1988, which states as follows:

- (a) *"Said study and program shall include an estimate of the operating costs of the Project for the first five years of operation and the sources of revenue to meet such costs. "*
- (b) *"Said study and program shall also include an analysis by the office of transportation and construction based on projected needs as a result of the Project for infrastructure improvements, additional airport facilities, and general transportation accessibility to the city and the Completed Project."*
- (c) *"the study and program reflect said [project] needs, "*
- (d) *"that the study and program provide an accurate estimate of the Project requirements, costs, and schedule, and "*
- (e) *"that the Project can be accomplished within the proposed cost for such project specified in the grant application and without substantial deviation from the study and program."*

With reference to the first requirement, the study incorporates all elements as required. In particular, its attachments entitled "Phase I Amendments," and "Revised Fundraising Plan" present projected operating costs and sources of projected revenues.

With reference to the second requirement, A letter from the Executive Office of Transportation and Construction has been incorporated into the

study. Further detailed analysis, if necessary will be brought out in the project's environmental review process.

With regard to the third requirement, that: *the study and program reflect said [project] needs, and with respect to only 1 and 2 and not 3, 4, and 5. I report the following:*

The study and program presented in the various documents clearly present the project's needs for space in which to display a collection of contemporary art, and appurtenant services necessary for the museum to operate as a stand-alone museum of contemporary art in North Adams. The information presented calls for approximately 220,000 gsf of space, including gallery/display areas, an amount determined as the minimum necessary to house a collection sufficiently large to attract a sufficient number of visitors (130,000-150,000 per year) to North Adams to support the operation of the museum. The Phase I plan also provides for two potential expansion options that would be appropriate if additional capital funds are raised. Future phases of museum development are defined as alternative future development potential. These subsequent phases would be developed as "stand-alone increments.

Project needs for art collections are described in both preliminary and revised masterplan documents. Needs for appurtenant services, such as food service, concession sales, child care seem appropriate at this juncture.

With regard to the fourth requirement, that: *that the study and program provide an accurate estimate of the Project requirements, costs, and schedule, and, and with respect to only 1 and 2 and not 3, 4, and 5. I report the following:*

The study presents a satisfactory analysis of the physical development needs, associated capital costs, and project schedule requirements. In particular, the revised development plan presents a "Base" construction plan, involving the total renovation of 6 buildings (#5,6,7,8,12, and 26) which will provide approximately 227,580 sf with a current estimated construction cost of \$21,474,936, or a total of \$25,268,500 when escalated to accommodate an appropriate three year construction period, and including appropriate construction contingencies. The expansion options would add an additional \$6.4 million of project costs, and could be added to the base scheme at any future time.

The major work items for the construction are summarized within Section 4.2 of the Revised study, and more fully described in both the cost estimates and preliminary masterplan submission.

MASS. MOCA FEASIBILITY STUDY REVIEW
DIVISION OF CAPITAL PLANNING AND OPERATIONS

Construction costs are presented in detail in the revised study/Hanscomb cost estimate, and independently reviewed by Andrew Chartwell & Co., in an October 1990 submission. Chartwell says: "We have found Phase I estimates to be reasonable. However, we did find discrepancies in the report. These are documented in this report, though they are not so large as to substantially affect the final cost estimates, which we find to be reasonable and adequate for the work described in the project's program and design documents."

The project schedule is presented in two places in the revised submission, first in Section 4, which describes a reasonable breakout of project construction activities into four construction phases: Contract 1 to address critical building preservation and safety elements, Contract 2 which entails the renovation of only one building (#12), and Contract 3, which involves the balance of Phase I/Base construction. Contract 4 would involve the additional Phase 1 project expansion.

The schedule is further elaborated upon in Section 5 which describes the interrelationship of project design, construction, environmental review, historic preservation review, operator contracting, and private fundraising. The assumptions made in this "Project Development Chronology" seem appropriately related to one another, recognizing the uncertainty of both MEPA and MHC actions, although all elements seem optimistic in terms of actual calendar start dates.

Most important in this respect is that MOCA commence immediately upon three project actions:

- (1) the submission to MEPA of an environmental notification form (ENF) to trigger the projects environmental review calendar, which could last as long as 2 years and considerably delay the project if not pursued with diligence;
- (2) the issuance of a request for proposals for a museum operator, and subsequent contracting, which will bring with it private funding commitments necessary for construction authorization, specific artwork, around which to design gallery space, and certainty to selected operating expense/revenue collection assumptions contained in the project pro-formas; and
- (3) commencement of MHC permitting negotiations relative to both construction and selected demolition of the museum complex.

With regard to the fifth requirement, that: that the Project can be accomplished within the proposed cost for such project specified in the grant application and without substantial deviation from the study and program. I report the following with regard to capital cost only:

Based upon the technical analysis presented for this project, the modifications and adjustments to the project's definition during the past year of review, it seems that the project documents present a construction plan for a Museum that can be accomplished within the proposed cost for construction as presented in the Feasibility Study, and can be constructed without substantial or inappropriate program deviation from the study.

Items to be resolved:

Four needs and requirements of the project, described within the feasibility study require resolution prior to the making of a final determination regarding further state funding for the MOCA project.

1. Museum Operator Agreement

The MOCA Commission must issue an RFP, obtain responses, select and contract with an operator prior to any further substantial state funding. Project documents propose that the operator agreement bring with it at least the following critical project elements:

- a. Professional, and established museum operating experience and commitment,
- b. Access to museum quality contemporary art (1-2 changing exhibitions per year, 125,000 sf of contemporary art, more fully described on page 2 of the proposed RFP,
- c. Financial resources, both capital and operating "of sufficient amount to meet all curatorial, registrarial, catalogue, poster, opening events, shipping, and insurance costs for each temporary exhibition on a stand-alone basis." Phase 1/Base Sources/uses of funds tables project the operator to bring \$4.5 million in capital dollars for the cost of fabrication and installation of art, an amount necessary for the 30% private matching requirement.

2. Art Agreements

Much of the MOCA art to be displayed in the museum is referenced by type, donor or temporary grantee, and is further delineated within the "Art Plan," an added element of the feasibility study. Further, substantial amounts of art are expected to become available from the selected museum operator. Written commitments to provide and deliver (or fabricate, as necessary) this art into the premises and under the operating control of MOCA must be made before further major funding can be provided.

3. Capital Fundraising

The Base project, as defined in the study, and further costed in attachments calls for a base project cost of \$27 million, with an additional \$6.2 million in project development costs and \$4.8 million in art installation/fabrication costs, a total of approximately \$38 million. Of that, approximately \$27 million (but not greater than 70% of total project costs) is proposed to be state capital funds, and \$19 million will be private, capital funds raised by the MOCA Commission, or one of its subsidiaries. The private capital amount includes early collection of endowment and bridge funds. The uses of these privately raised funds include acquisition and construction (\$7.7 million), Bridge and Endowment for operating support (\$5 million), and art fabrication and installation (\$4.5 million).

I would not provide significant additional public funding for this project, especially for construction, until sufficient progress is evidenced showing actual private capital funding or funding commitments are in place, to my satisfaction that would appropriately support the minimum required 30% of expenditures to that date, and including proposed construction contract costs, with appropriate contingencies. Final terms of disbursement should be embodied in the project grant agreement.

4. Operating Funds

The MOCA operating pro-formas present projections of admission fees and other earned income, grants, and endowment and other private fundraising proceeds sufficient to sustain break-even operations during the first five years of museum operations.

To increase the probability that the museum will succeed in meeting these projections, I recommend that state funding for project construction be provided only upon evidence from MOCA of cash and pledges in hand for the full amounts of the \$2.25 million bridge fund, and the \$2.25 million initial endowment fund, both of which provide essential early-year operating subsidies.

Attachment A: List of Documents Received and Reviewed

Feasibility Study and Development Plan, Phase 1 Amendment, September 1990; Skidmore, Owings & Merrill, et al., (with attached drawings).

Feasibility Study and Development Plan, Phase 1 Amendments, October 1990, Governance Plan, Operating Pro Forma & Project Budget Summaries; Mass MOCA Executive Planning Group, et al.

Review of Cost Estimate, Andrew Chartwell & Co., October 1990.

Revised Fund-Raising Plan with reference to the amended Phase 1 Plan, October 1990; C. W. Shaver & Company.

Appraisal Report of "Sprague Electric" Mill Complex..., August 27, 1990; R. M. Bradley.

Phase 1 Base Plan [Cost] Estimate, E81-89689.1, September 18, 1990; Hanscomb Associates.

MOCA Master Plan Preliminary documents:

list here

City of North Adams Certification

Executive Office of Transportation and Construction Certification

Copy of Chapter 8 or 1988, MOCA authorizing Legislation.

